

CONTRACTING PUBLIC AGENCY RISK ASSESSMENT RESULTS

Reviews of Contracting Public Agencies - Background

The Office of Audit Services initiated reviews of contracting public agencies in 1990 in response to alleged reporting of pension spiking at member agencies. To date, approximately 670 reviews have been performed of contracting public agencies. Originally, we focused on membership and payroll reporting, evaluating and validating the integrity and accuracy of personnel and payroll data reported to CalPERS by employers. We have now added health enrollment testing and verification of security controls over ACES, the computer-based reporting mechanism for employers. The risk of contracting agencies reporting erroneous membership, payroll, or health enrollment data to CalPERS has been significantly minimized as a result of these reviews.

Originally focusing on public agencies, we later expanded to include school districts and district agricultural associations, and most recently, reviews of California State University campuses and state agencies. The Public Agency team has also conducted reviews of certain internal CalPERS functions related to public agencies, establishing criteria and resolving issues reported as a result of reviews. The reviews in these areas were undertaken in an effort to improve the exchange of information between CalPERS and contracting entities.

Contracting Public Agency Risk Assessment

As described in Agenda Item 5, we conducted our annual risk assessment of contracting public agencies. The results are as follows:

| <i>Types of Agency</i> | <i>High Score</i> | <i>Medium Score</i> | <i>Low Score</i> | <i>Total Auditable Entities</i> |
|-------------------------------|--------------------------|----------------------------|-------------------------|--|
| Public Agencies | 223 | 921 | 320 | 1,464 |
| County Office of Ed | 11 | 25 | 23 | 59 |
| District Ag Assoc. | 7 | 39 | 7 | 53 |
| CSUs | 1 | 7 | 16 | 24 |
| State Agencies | 38 | 151 | 47 | 236 |
| Total | 280 | 1,143 | 413 | 1,836 |

Of the public agencies assessed as high risk, we have reviewed 91 within the past seven years. We have also reviewed 34 District Agricultural Associations, 12 State agencies, seven CSUs, and five County Offices of Education with several dozen selected school districts in the same period.